

Message Text

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S E C R E T SECTION 1 OF 3 LISBON 0619

DEPT. FOR EUR/WE KEITH SMITH ONLY

E.O. 11652: GDS
TAGS: EFIN, EAID, ECON, PO
SUBJECT: AMBASSADOR BLOOMFIELD'S BRIEFING MATERIAL

REF: SMITH/FERRER TELECON JAN 23

BEGIN LIMITED OFFICIAL USE
COOUNTRIES PROVIDING ASSISTANCE TO PORTUGAL HAVE EMPLOYED
A WIDE RANGE OF MECHANISMS OVER THE PAST SEVERAL YEARS TO
HELP PORTUGAL MEET ITS BALANCE OF PAYMENTS REQUIREMENTS. WHEN
DISCUSSING THEIR ASSISTANCE PROGRAMS, THE COLLOBORATING COUN-
TRIES INCLUDE ALL OF THESE MECHANISMS, RATHER THAN SIMPLY
THEIR DIRECT BILATERAL PROGRAMS. THE FOLLOWING SUMMARIZES
AND CATEGORIZES INFORMATION AVAILABLE ON THIRD COUNTRY OFFICIAL
PROGRAMS. COMMERCIAL BANK CREDITS ARE NOT INCLUDED UNLESS
THERE IS A DIRECT, RECOGNIZED GOVERNMENT RELATIONSHIP.
A. BILATERAL ASSISTANCE: THIRD COUNTRY BILATERAL ASSISTANCE
PROGRAMS HAVE BEEN RELATIVELY SMALL. THE EUROPEAN NATIONS
HAVE SHOWN A DISTINCT PREFERENCE FOR MULTILATERAL CHANNELS
AND FOR PROJECT FINANCING. THE FOLLOWING IS A
BRIEF LIST OF KNOWN BILATERAL PROGRAMS. AS NOTED ABOVE,
IT DOES NOT INCLUDE COMMERCIAL BANK CREDITS, NOR DOES
IT ENCOMPASS ALL OFFICIAL EXPORT FINANCING. IN
A FEW CASES, HOWEVER, OFFICIAL EXPORT CREDITS HAVE BEEN OF
SUBSTANTIAL ASSISTANCE, ESPECIALLY WHEN THEY HAVE BEEN

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GRANTED AT PREFERENTIAL INTEREST RATES.
-- GERMANY. IN ADDITION TO ASSISTING IN THE ANGOLAN
REFUGEE AIRLIFT, GERMANY HAS APPROPRIATED 70 MILLION MARKS
ANNUALLY SINCE 1975 FOR BILATERAL ASSISTANCE. THESE
CREDITS ARE FOR 30 YEARS, INCLUDING A 10 YEAR GRACE
PERIOD, AT 2 PERCENT INTEREST. PORTUGAL DID NOT BEGIN
UTILIZING THESE FUNDS UNTIL 1977, WHEN IT DREW DOWN APPROXI-

MATELY 25 MILLION MARKS. IT WILL PROBABLY DRAW AN ADDITIONAL 50 MILLION MARKS IN 1978. THESE FUNDS ARE FINANCING PROJECTS IN THE AGRICULTURAL, TRANSPORTATION AND ENERGY SECTORS. THE FRG BUDGET FOR 1978 INCLUDES A PROPOSAL TO CREATE A SPECIAL DEVELOPMENT FUND FOR PROJECTS IN PORTUGAL, GREECE AND SPAIN. THE SIZE, TERMS AND DISTRIBUTION OF THESE FUNDS IS STILL UNDETERMINED. GERMAN OFFICIAL EXPORT AGENCY HAS GUARANTEED EXPORT CREDITS OF SOME 1.4 BILLION MARKS DURING THE PAST THREE YEARS.

-- JAPAN. JAPAN HAS PROVIDED NO OFFICIAL CREDITS TO PORTUGAL, BUT HAS ENCOURAGED ITS COMMERCIAL BANKS TO ADOPT A MORE AGGRESSIVE POSTURE. THE JAPANESE EXPORT IMPORT BANK, IN CONJUNCTION WITH THE COORDINATED LOAN PROGRAM APPROVED IN PARIS LAST JUNE, WILL OFFER \$25 MILLION IN EXPORT CREDITS DURING 1978.

-- CANADA HAS NO SUBSTANTIAL BILATERAL ASSISTANCE PROGRAM, BUT IS PROVIDING \$200,000 IN TECHNICAL ASSISTANCE. IN 1976 IT DONATED SOME \$500,000 FOR REFUGEE RELIEF.

-- BRAZIL ESTABLISHED AN OFFICIAL \$50 MILLION EXPORT CREDIT FOR PORTUGAL IN 1977. PORTUGAL BEGAN TO DRAW AGAINST THESE FUNDS LATE LAST YEAR. BRAZIL WILL PROBABLY RENEW THE CREDIT WHEN THE CURRENT LOAN IS COMPLETELY UTILIZED.

-- FRANCE HAS PROVIDED AD HOC TECHNICAL ASSISTANCE BUT NO SUBSTANTIAL ORGANIZED AID PROGRAM. INSTEAD,
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IT HAS OFFERED RATHER GENEROUS EXPORT CREDITS OF \$100-200 MILLION PER YEAR FOR SPECIFIED INVESTMENT PROJECTS. IT DID SO WHEN OTHER WESTERN OFFICIAL EXPORT AGENCIES WERE UNWILLING. THIS POLICY HAS ENABLED FRANCE TO GAIN THE LARGEST FOREIGN PARTICIPATION IN SEVERAL MAJOR PROJECTS, E.G. THE SINES DEVELOPMENT PROGRAM.

-- HOLLAND, FOR THE PERIOD OF 1976-77, AUTHORIZED LOANS OF 30 MILLION GUILDERS. \$20 MILLION MOST OF THE FUNDS ARE BEING USED FOR PROJECTS IN EDUCATION AND FISHING. IN ADDITION TO

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PROJECT LENDING, HOLLAND HAS AUTHORIZED SOME 16 MILLION GUILDERS FOR TECHNICAL ASSISTANCE.

-- NORWAY HAS AUTHORIZED 300 MILLION KRONERS FOR PROJECT ASSISTANCE IN FISHING, AGRICULTURE, FORESTRY, TOURISM, NATIONAL PLANNING, HOUSING AND LABOR TRAINING. ITS TECHNICAL ASSISTANCE AUTHORIZATION TOTALS 50 MILLION KRONER.

-- GREAT BRITAIN HAS AUTHORIZED A 5 MILLION POUND CREDIT FOR TECHNICAL ASSISTANCE.

-- SWEDEN HAS APPROVED 49 MILLION KRONER IN GRANT AID, LARGELY FOR HOUSING.

-- BELGIUM DONATED 30 MILLION FRANCS FOR REFUGEE RELIEF IN 1976.

-- SWITZERLAND HAS NO SIGNIFICANT AID PROGRAM, BUT ASSISTED IN THE ANGOLAN AIRLIFT.

B. COORDINATED LOAN PROGRAM: PARTICIPATION IN THE \$750 MILLION COORDINATED LOAN PROGRAM UNDOUBTEDLY CONSTITUTES THE LARGEST SINGLE ASSISTANCE MECHANISM FOR MOST COUNTRIES. ANTICIPATED COUNTRY PARTICIPATIONS, IN MILLIONS OF DOLLARS, ARE:

-- GERMANY - 200

-- NORWAY - 10

-- JAPAN - 50

-- BELGIUM - 3 (LARGER PARTICIPATION UNDER CONSIDERATION)

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-- SWITZERLAND - 30

-- VENEZUELA - 22.5

-- UNITED KINGDOM - 20

-- CANADA - 15 (DONATED IN THE FORM OF WHEAT)

-- AUSTRIA - 10

-- ITALY - 10

-- SWEDEN - 10

-- NETHERLANDS - 20

-- FRANCE HAS STEADFASTLY RESISTED PROVIDING UNIFIED FINANCIAL ASSISTANCE, INSISTING THAT ITS CREDITS BE USED TO FINANCE FRENCH EXPORTS. PORTUGAL HAS REJECTED THIS PROPOSAL ON THE GROUNDS THAT OTHER PARTICIPANTS, NOTABLY

SWITZERLAND, WOULD INSIST ON THE SAME CONDITIONS. FRANCE MAY, HOWEVER, EVENTUALLY DECIDE TO PROVIDE A SMALL AMOUNT OF FINANCIAL HELP. END LIMITED OFFICIAL USE.

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C. MULTILATERAL ASSISTANCE: THE WESTERN EUROPEAN COUNTRIES BEGAN TO PROVIDE A SIGNIFICANT AMOUNT OF PROJECT FINANCING THROUGH MULTILATERAL CHANNELS AS EARLY AS 1975. TWO PROGRAMS, ONE VIA THE EC AND ONE VIA EFTA, ENCOMPASS THE BULK OF THESE FUNDS.

1. EC PROGRAMS: THE EC, THROUGH THE EUROPEAN INVESTMENT BANK, HAS ESTABLISHED TWO LONG-TERM FINANCIAL PACKAGES FOR PORTUGAL. IN OCTOBER 1975 IT AUTHORIZED AN EMERGENCY CREDIT OF 150 EUROPEAN UNITS OF ACCOUNT. PORTUGAL HAS FULLY COMMITTED THESE FUNDS FOR A WIDE RANGE OF INFRASTRUCTURE PROJECTS AND FOR A FEW SMALL INDUSTRIAL INVESTMENTS. THE INDUSTRIAL INVESTMENTS ARE BEING FINANCED INDIRECTLY THROUGH THE BANCO FINANCEIRA NACIONAL. PORTUGAL HAS PROBABLY DRAWN ABOUT 35 MILLION EUROPEAN UNITS OF ACCOUNT AGAINST THIS PROGRAM. THE

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EC ESTABLISHED A SECOND PROGRAM VALUED AT 200 MILLION EUROPEAN UNITS OF ACCOUNT IN SEPTEMBER 1976. PORTUGAL HAS NOT CONCLUDED NEGOTIATIONS ON THE USE OF ANY PART OF THIS SECOND FUND. IT HOPES, HOWEVER, TO COMPLETE NEGOTIATIONS IN 1978 ON FOUR PROJECT PROPOSALS VALUED AT APPROXIMATELY 37 MILLION UNITS OF ACCOUNT.

2. EFTA PROGRAM: THIS \$100 MILLION FIVE-YEAR PROGRAM (1977-81) IS DESIGNED TO FINANCE PRINCIPALLY INDUSTRIAL INVESTMENTS. SINCE THE PROGRAM BEGAN IN 1976, EFTA HAS APPROVED 41 PROJECTS VALUED AT 914 MILLION ESCUDOS (APPROXIMATELY \$25 MILLION). MOST OF THE PROJECTS ARE IN MANUFACTURING SECTORS, NOTABLY TEXTILES, WITH A FEW IN AGRICULTURE AND MINING. EMBASSY BELIEVES THAT VERY LITTLE OF THE FUNDS HAVE ACTUALLY BEEN DISBURSED. INDIVIDUAL COUNTRY PARTICIPATION IN THE PROGRAM IS AS FOLLOWS:

AUSTRIA - US\$ 14.7 MILLION

FINLAND - US\$ 9.9 MILLION

ICELAND - US\$ 970 THOUSAND

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NORWAY - US \$11.6 MILLION
PORTUGAL - US \$5.9 MILLION
SWEDEN - US \$29.1 MILLION
SWITZERLAND - US \$24.8 MILLION

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D. CENTRAL BANK LOANS: THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS) AND VARIOUS EUROPEAN CENTRAL BANKS HAVE PROVIDED A LARGE AMOUNT OF GOLD SECURED LOANS TO PORTUGAL SINCE 1975. MOST OF THE LOANS ARE FOR SIX MONTHS TO ONE YEAR, RENEWABLE GENERALLY FOR UP TO SEVERAL YEARS. GENERAL ASSUMPTION IS THAT LOANS WILL BE RENEWED FOR MAXIMUM ALLOWABLE PERIOD. ALTHOUGH THESE CREDITS CANNOT BE REGARDED AS ASSISTANCE IN ANY TECHNICAL SENSE, THE EUROPEANS BELIEVE THEY STRETCHED THEIR LEGAL PROCEDURES TO THE MAXIMUM IN ORDER TO GRANT THEM. THEY GENERALLY FEEL, THEREFORE, THAT THESE CREDITS ARE PART OF THE TOTAL WESTERN EFFORT TO ASSIST PORTUGAL. END LIMITED OFFICIAL USE.

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E. FOLLOWING IS A LIST OF GOLD SECURED LOANS AS PREPARED FROM DATA AVAILABLE TO THE EMBASSY.

SOURCE MILLIONS OF DOLLARS DATE OF AGREEMENT
GROUP OF EUROPEAN

CENTRAL BANKS 250 (AS NOTED BELOW)
(GERMANY) (75) (7/76)

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(SWITZERLAND) (55) (2/77)
(NETHERLANDS) (35) (11/76)
(BELGIUM) (25) (11/76)
(SWEDEN) (15) (12/76)
(NORWAY) (15) (1/77)
(DENMARK) (15) (2/77)

(AUSTRIA)	(15)	(12/76)
BIS	250	1975
BIS	250	3/76
BIS	100	2/77
GERMANY	250	1/76
SWITZERLAND	50	12/76

THE BIS LOAN OF FEBRUARY 1977 FOR \$100 MILLION WAS SCHEDULED FOR REPAYMENT IN NOVEMBER 1977. THE REPAYMENT DATE HAS BEEN EXTENDED UNTIL JANUARY 31, 1978. THE FRENCH CENTRAL BANK WAS NEGOTIATING A LOAN OF \$30 MILLION, BUT EMBASSY DOES NOT HAVE CONFIRMATION THAT THE NEGOTIATIONS WERE SUCCESSFULLY CONCLUDED. END SECRET. OKUN

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